

**CITY OF MORGAN HILL  
JOINT SPECIAL AND REGULAR CITY COUNCIL,  
SPECIAL REDEVELOPMENT AGENCY,  
AND MORGAN HILL FINANCING AUTHORITY MEETING  
MINUTES – FEBRUARY 18, 2004**

**CALL TO ORDER**

Mayor/Chairman/President Kennedy called the special meeting to order at 5:03 p.m.

**ROLL CALL ATTENDANCE**

Present: Council/Agency/Commission Members Carr, Sellers, and Mayor/Chairman/President Kennedy  
Late: Council/Agency/Commissioner Members Chang (arrived at 5:10 p.m.) and Tate (arrived at 5:10 p.m.)

**DECLARATION OF POSTING OF AGENDA**

City Clerk/Agency Secretary/Commission Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

***City Council and Redevelopment Agency Action***

**CLOSED SESSIONS:**

City Attorney/Agency Counsel Leichter announced the below listed closed session items. She indicated that one of the anticipated litigation matters is attributable to a letter from Stephen Cohn dated December 5, 2003 threatening litigation.

**1.**

**CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Authority: Government Code Sections 54956.9(b) & (c)  
Number of Potential Cases: 4

**2.**

**CONFERENCE WITH LABOR NEGOTIATOR:**

Legal Authority: Government Code Section 54957.6  
Agency Negotiators: City Manager; City Attorney; Human Resources Director

Employee Organizations: AFSCME Local 101  
Morgan Hill Community Service Officers Association  
Morgan Hill Police Officers Association

Unrepresented Employees: Custodian/Building Maintenance Worker  
Government Access Technician  
Maintenance Worker Assistant  
Utility Worker Assistant

Executive Management Group 1-A  
Chief of Police

Director of Business Assistance & Housing Services  
Director of Community Development  
Director of Finance  
Director of Public Works/City Engineer  
Human Resources Director  
Recreation and Community Services Manager  
Assistant to the city Manager  
Council Services and Records Manager

Middle Management Group 1-B

Police Lieutenant  
Deputy Director of Public Works  
Assistant City Attorney  
Assistant Director of Finance  
Chief Building Official  
Human Resources Supervisor  
Planning Manager  
Senior Civil Engineer  
Senior Project Manager/Community Buildings  
Budget Manager  
Business Assistance and Housing Services Manager  
Police Support Services Supervisor  
Senior Planner  
Project Manager  
Utility Systems Manager  
Recreation Supervisor  
Secretary to the City Manager

Confidential Non-Exempt Employees Group 1-C

Administrative Analyst  
Secretary to the City Attorney  
Accounting Technician  
Human Resources Assistant

3.

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Legal Authority: Government Code 54957  
Public Employee Performance Evaluation: City Manager  
Attendees: City Council, City Manager

4.

**CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

Legal Authority: Government Code section 54956.9(a)  
Case Name: Hacienda Valley Mobile Estates v. City of Morgan Hill  
Case Number: Santa Clara County Superior, Case No. CV 80-7708

5.

**CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

Legal Authority: Government Code Section 54965.9(a)  
Case Name: Morgan Hill Unified School District v. Minter & Fahy  
Case No.: Santa Clara County Superior Court, No. CV 772368  
Attendees: City Council, City Manager, City Attorney, Mark Strombotne,

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Special Counsel

**6.**

**CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

Legal Authority:	Government Code section 54956.9(a)
Case Name:	Allivato v. City of Morgan Hill et al.
Case Number:	Santa Clara County Superior CV 810111
Attendees:	City Attorney, City Manager

**OPPORTUNITY FOR PUBLIC COMMENT**

Mayor/Chairman/President Kennedy opened the Closed Session items to public comment. No comments were offered.

**ADJOURN TO CLOSED SESSION**

Mayor/Chairman/President Kennedy adjourned the meeting to Closed Session at 5:05 p.m.

**RECONVENE**

Mayor/Chairman/President Kennedy reconvened the meeting at 6:00 p.m.

**CLOSED SESSION ANNOUNCEMENT**

City Attorney/Agency/Commission Counsel Leichter announced that no reportable action was taken in closed session.

***City Council and Parks & Recreation Commission Action***

Mayor Kennedy and Chairman Frederick called the joint meeting of the City Council and Parks and Recreation Commission to order.

Present: Commissioners Frederick, Kenney, Jensen, Leibers, and Page  
Absent: Commissioners Hagiperos and van Keulen

**WORKSHOP:**

**1. AGENDA ITEMS FOR JOINT COUNCIL AND PARKS AND RECREATION COMMISSION (PRC) WORKSHOP**

Chairman Frederick indicated that he met with Recreation and Community Services Manager Spier to review a PRC workplan for 2004. One of the items he felt would be important is to hold a joint workshop with the City Council. He stated that he met with Mayor Kennedy to discuss communication issues and some of the work that the PRC has been doing over the past few years such as the indoor

recreation center (IRC). The PRC has been moving items forward to the City Council and that there is perceived disconnect with agendizing items before the Council for consideration and that the PRC was not informed as to what was being agendized and discussed. He felt that it would be a good idea to meet in joint session with the Council at least once a year in order to talk about vision and goals of the Council as they relate to parks and recreation in Morgan Hill. He indicated that the PRC would like to know what the Council would like it to work toward this year. Toward this end, he put together suggested agenda topics that have been reviewed by Mayor Kennedy. He informed the Council that the PRC members reviewed these items last night at its meeting. He indicated that the PRC would like to discuss ideas for the PRC next year as well as to discuss the issues associated with RDA funding allocations as they relate to parks & recreation and other items such as the library, including project priorities.

Mayor Kennedy stated that in his meeting with Chairman Frederick, it became clear that communication problems had occurred. He indicated that the PRC felt that they had clear direction, particularly related to the Parks Master Plan and that the Council may have gone in a different direction. Discussed was taking actions to ensure that both bodies are working together and communicating jointly on goals and objectives, especially in the areas of changes. He said that the Council/Redevelopment may have changed direction without communicating back to the PRC as to the reason for a change in direction. He felt that it was important that there be better communication and that joint meetings be held to make sure that everyone is clear on roles and goals.

Chairman Frederick indicated that the PRC has two projects it is working on that are RDA funded: the IRC and the outdoor sports complex. He stated that the PRC is about to embark on looking at interim uses for the outdoor sports complex. He said that the PRC understands that there is limited RDA funding and that there are other projects that the Council/Redevelopment Agency needs to consider. He said that the PRC wants to get a sense of where the Council/Redevelopment Agency is heading with regards to funding allocations. He stated that the PRC has been working on the IRC for several years and that they have gone through a thorough process in looking at putting together a program that would provide a full cost recovery facility. He stated that the PRC has worked extensively with its subcommittees (e.g., youth and senior advisory committees). Everyone believes that a good program has been put together. He said that the IRC is a facility lacking in the community. He stated that the PRC understands that there are issues with the library in that it is under funded because state funding is not forthcoming. He felt that the City already has a library and that the PRC would like to move forward with the IRC.

Mayor Kennedy said that at a recent Council meeting, funding for the IRC project was raised. It was his recollection that at least 3 council members continue to favor moving forward with the IRC: himself and Council members Chang and Sellers.

Council Member Carr stated his appreciation for the work that has been put forth by the PRC. He stated that he supports the idea of an IRC/intergenerational center. He stated that his concern is about funding. He has continued to state that the Council needs to continue to look at RDA dollars and where they are going as a project may not be funded. He felt that projects should be based upon the community's

priorities, how the Council perceives these priorities, and how they are set. He has argued that the Council/Redevelopment Agency should be relooking at the allocations of these dollars every year because there will be a project at the bottom of the list that will not get funded. He has stated that he does not want to spend more money on the development of the IRC until the City figures out a plan for the library. He said that the work that is taking place is being done with dollars that have already been allocated and that the City is entering into a phase where the City is not spending more money on that project. He said that he was comfortable with where the City is with the IRC and how it is moving forward because he does not want to get behind the timeline. However, the City may come to a time where the Council/Redevelopment Agency has to decide where the dollars are being spent. He did not want to get to a time where there is argument that the City already spent too much on a project that it has to move forward whether it is a priority project or not. He stated that this is the position that he has taken on funding as the City tries to figure out how it will build the library. He noted that it has been argued many times at meetings that the Council/Redevelopment Agency needs to figure out how to move forward with both the IRC and the library. He stated that he does not want to continue to spend money on something that is not the direction that the Council/Redevelopment Agency has stated that it would follow.

Council Member Tate agreed that the community already has a library but that a new library is needed. He felt that the PRC has done a wonderful job on the multi generational IRC. He stated that he sat in on both the youth and the senior advisory committees when there was discussion about the design of spaces to make sure that they work well together. He said that the heart of the multi generational center is one that needs to be completed. He said that the City committed, with the expansion of the RDA, to construct recreation facilities as well as a library. He indicated that the City promised to build a youth and senior center. He stated that he looked at recreational needs but that he does not see a need for an indoor swimming pool or a "Gold's Gym." He did not understand this being a higher priority than playing fields and other recreational needs. He indicated that he will be presenting an update on the status of the library subcommittee. He stated that the library subcommittee is looking at a June 2004 date to make a recommendation on how the City will move forward with the library. The library subcommittee will be requesting work sessions with the Council because there are no obvious ways to close the funding gap for the library.

Council Member Sellers agreed that the PRC and the Council have a need for better communication. The concept that the PRC has developed and continues to articulate is sound and worthy of progress. He felt that it is important to find a way for the PRC to articulate their recommendations to the Council. He stated that he was a strong supporter of a multi generational center. He said that the biggest challenge the Council faces is working in a vacuum. He said that there are valid concerns in the community for the need of a new library. He recommended that the PRC continue to be involved in the process, checking in with the Council and communicate back to the Council as this information is helpful to the Council in making decisions. He noted that there are subcommittees of the PRC and that this adds another layer in which to communicate. Regarding this issue, he felt that the Council has to figure out a way to continue communicating with the PRC. He said that he would also like to discuss the outdoor recreation center as funding will be needed for the outdoor sports complex, noting that the Council has not discussed this issue to date.

Vice-chair Kenney felt that the Council has done a great job in speeding up actions. He indicated that the PRC has worked on 5-6 projects within the last three years and that it was able to make decisions on all projects. He stated that any delay of any project would cost more. He noted that there has been an increase in project cost associated with the IRC because prices change all the time. He felt that the schedule set for the IRC is working. He recommended that the Council complete the projects started and deal with the library as a separate issue. He agreed that the library is an important issue. However, just because state funding was lost, the Council/Redevelopment Agency should not go to all the other projects and start scavenging money as it will close down every project. He felt that the community would like the City to get projects completed. In moving forward with the projects, the City will be able to save millions of dollars that can be used for the library, when funding can be found for it.

Council Member Tate reiterated that the review of the library schedule is set for June 2004. He noted that the City is going through a dormant period while the design of IRC is being finalized and that the project's schedule is not being impacted. He felt that the Council has designed a strategy as being suggested by Vice-chair Kenney.

Vice-chairman Kenney informed the Council that the PRC makes recommendations regarding the IRC only to hear back from the Council that it is heading in a different direction. At this point, the PRC felt that the Council is not considering its recommendations. This built up to other issues. He felt that the key issue is to keep the projects rolling, indicating that individuals in the community are happy with what the City has been doing, including providing services to the youth.

Council Member Chang stated that staffing and maintenance of City projects will be an issue to be addressed.

Vice-chair Kenney noted that the City will be establishing user fees for the IRC, creating a fee system so that recreation facilities are collecting fees to pay for staffing and maintenance.

Commissioner Jensen stated that his biggest concern is maintenance of facilities as it is the first to get pulled when there is a budget shortfall. He felt that there were two ways to save money and image to the city as a whole. He recommended that funding for maintenance be placed into a separate account such as a parks maintenance account. He said that projects go through an extensive design review. If you look at any redevelopment project that has been built that is only a year old, he can show the Council items that have already changed because of maintenance problems. He felt that if a design is reviewed appropriately for the maintenance up front, the city would not be spending money installing items if they are not to be maintained. He recommended that the City take a harder view of a project from a maintenance standpoint. He noted that the City is facing challenges at the Community Center with fountains and other elements, noting that it is a brand new facility and that there are no answers why these elements are already defective.

Commissioner Librers stated that she works with the YAC, indicating that they have spent a lot of time building, conceptually, what they want in the IRC. She felt that it will be a well used center, noting that

there is no place for youth of the community to go. She felt that it was important to weigh recreation equally when the City makes hard decisions regarding funding.

Commissioner Page said that he has been a part of the PRC since it was reinstated. He felt that the PRC's role is to give Council advice. He said that the PRC needs to understand that there will be times the Council will accept the PRC's advice and other times when it will not. He felt that any misunderstanding or misinterpretations can be addressed early on with good communication. He said that PRC members advocate for parks and recreation activities and try to do what is right by the majority of the community. He said that he would like to know what is left in the RDA budget so that he can respond to questions raised by the community as to the funding that is available for the various recreational projects. He stated that he would support the Council's project list but that he would like to know what is left in the budget so that when he reviews items, he can make informed decisions.

Mayor Kennedy stated that staff can forward information presented to the Council regarding the RDA budget priorities to the PRC.

Commissioner Page said that an issue that comes up at the PRC meetings is the incorporation of operation and maintenance into its recommendation to the Council. He stated that the PRC feels strongly about the multi generational center because it feels that it has a good cost recovery model. He said that of all the projects that it has reviewed and advised the Council on, the multi generational center is the one that has the best chance for cost recovery.

Mayor Pro Tempore Sellers agreed that the multi generational facility is needed in the community. He noted that there is vacant land sitting awaiting the construction of an outdoor sports facility. He indicated that the Council set aside \$2 million in funding for this project. Money has been set aside for the CYSA project that they are trying to construct. He stated that is specific recreational funding that has not been allocated to date. He felt that it would be helpful to receive PRC input on how the funding should be allocated.

Chairman Frederick indicated that a meeting was held in January 2004 and that stakeholders for organized sports throughout the city were invited to discuss interim uses of the playfields. He expressed concern that if this money is on the table for reallocation, it would not be prudent to work with these groups if this money may be taken away and used elsewhere. He felt that there would be a lot of resentment in the community if expectations are set only to have funding taken away. He indicated that the PRC would have its own priorities as they relate to parks and recreational activities.

City Manager Tewes felt that there may be some misunderstanding about how the outdoor sports field project is funded. He indicated that the project has an RDA allocation for land purchase only. He stated that based on a PRC recommendation last year, the Council appropriated \$2.7 million of park development funds for the development of the outdoor sports fields. Also, on the recommendation of PRC, the Council adopted a new fee so that future growth will pay its fair share of the outdoor sports fields. He stated that there was a need to increase the budget for the aquatics center and that the Council asked for the opinion of the PRC. The PRC addressed this issue and recommended that the Council use

funds that had been previously allocated to the outdoor sports fields be re-allocated to the aquatics center, providing that the parks development funds replaced these funds. He noted that the Council supported the PRC recommendation and that it is contained within the adopted budget. He did not know how much funds are being accumulated in the parks development funds at this time.

Council Member Chang inquired whether the \$2.7 contained in the park development fund can be used for the IRC.

City Manager Tewes said that these funds can be used only to the extent that it will be used for the outdoor park aspect of the IRC project and not the indoor recreation component.

Commissioner Page acknowledged that the information about funding is contained within the budget document. He said that it was his assumption that funding allocations may have changed but that it does not appear that they have. He noted that the IRC has had a budget for some time and that as long as the project stays within its budget, the project can move forward. He felt that as long as there is funding set aside for the library, the library can also move forward.

Mayor Kennedy and Council Member Tate indicated that the City is short in library funding.

Council Member Carr agreed that there is some funding for the library and that additional funding is needed. It was the City's hope that additional funding would come from the State. The City is now in a position where it needs additional dollars to move forward with the library. He said that most of the Council members are not counting on the State for library funding so there needs to be discussion about where these dollars will come from. He said that the Council receives advice from all of its boards and commissions. However, flexibility needs to be understood and maintained. He stated that everyone would like to allocate more money to the outdoor fields, the library and a multi generational center. The question is how to keep enough flexibility to complete these projects. He said that he does not want to lock the City into anything that does not allow flexibility. He stated that he understands the concern about setting expectations with user groups that are in conflict; however, he felt that the preliminary work that is taking place is very important. He said that when the CYSA lease comes up at the end of the year, the City needs to be ready with what should take place with the fields or the City will be in a bad situation if the grounds are allowed to go fallow.

Mayor Kennedy indicated that the Council has asked the City Manager to take a look at the way the Council approaches the formation of committees, ad hoc committees, etc. He indicated that the City Manager will be returning to the Council with a recommendation. Therefore, he did not know whether much time should be spent on this issue other than accepting PRC input that it would like to provide going into this process.

City Manager Tewes indicated that it is his intent to visit with each commission in a formal way to request their participation on this issue.



Mayor Pro Tempore Sellers addressed the sports fields, stating that the City needs to know what the \$2.7 million will give the City. He agreed that there are successful/active independent organizations within the community. He felt that there may be opportunities to partner with groups that use the fields such as the Pony Baseball and the soccer leagues. He appreciated that the PRC took the time to study all possibilities. He felt that the City needs to study how best to use the \$2.7 million for the sports fields and how we can get the most out of this for the youth and the community.

Vice-chairman Kenney said that rather than building a huge parking lot with lousy fields that the City builds what is needed from the aquatics center out. When additional funding becomes available, the remainder of the sports field can be built out.

Chairman Frederick said that at the first initial meeting with the user groups held in January, there was a lot of enthusiasm in the community and that there were a lot of needs. He indicated that user groups support dedicated fields. He indicated that the sports field configuration was the most space efficient design that was derived and that it does require shared use. He inquired whether the Council supported the PRC continuing to work with the user groups toward an interim use.

Mayor Kennedy noted that the PRC has heard that the Council wants it to continue its discussions with the user groups relating to the outdoor sports field. He noted that the Council has a subcommittee who is meeting with the School District on partnerships.

Council Member Carr informed the PRC that the Council communicates with the School District in two ways: 1) a standing City-School Liaison Committee and 2) an ad hoc committee who will be talking about joint facility planning. He said that it is in this respect that the Council has talked about the field uses. He stated that the School District is going through a similar process where they are bringing in user groups and talking about the use of their fields, including the best way of doing so. He stated that the Council subcommittee has been urging the School District Board Members to follow what the PRC has been doing. The Council subcommittee has also been speaking with the School District about the needs of a library and possible partnerships associated with the library. He indicated that he and Council Member Tate have met with Chairman Frederick to talk about the condition of the school fields and that they tried to raise these concerns with the School District as well.

Chairman Frederick said that this may not be the best time to approach the School District as times are hard for them and that they are going through difficult challenges at this time. He said that it is apparent that the City and the School District need to pool resources in order to meet the demands of the sports leagues; working toward making the fields safer.

Council Member Tate said that this is a dual edge sword as the School District is not in the recreation business but are in the educational business. He said that the City is in the recreation business and yet the City needs the School District's fields to supply recreational opportunities. He felt that there is a delicate balance on partnering with groups when nobody has any money.

Commissioner Page felt that it will be a challenge to create a partnership with the School District as they have not been a predictable/reliable partner.

Mayor Kennedy stated that one goal/vision that the Council would like to see accomplished is the outdoor sports complex. It was his belief that the Council was in agreement that the PRC should keep its focus on this goal.

Mayor Pro Tempore Sellers requested that the PRC keep the Council informed and forward their thoughts on the IRC process.

Chairman Frederick stated his appreciation of this forum and that it was his hope that a similar workshop can be held again next year. He suggested that this forum would be appropriate at the time that the Council appoints new commissioners in order to give them an opportunity to meet the Council and understand what their charge will be at the beginning of their term.

Mayor Kennedy agreed that this forum has been helpful. He stated that the Council will try to keep everyone informed, keeping communication lines open. He thanked the PRC for all of its hard work.

#### **ADJOURN SPECIAL JOINT MEETING OF THE CITY COUNCIL AND PARKS & RECREATION COMMISSION**

Mayor Kennedy and Chairman Frederick adjourned the joint meeting of the City Council and Parks and Recreation Commission at 6:56 p.m.

#### **RECONVENE JOINT CITY COUNCIL/REDEVELOPMENT AGENCY MEETING**

Mayor/Chairman/President Kennedy reconvened the meeting at 7:03 p.m. and announced that the Council/Agency held closed sessions earlier this evening and that the Council just concluded a joint workshop with the Parks and Recreation Commission.

#### **SILENT INVOCATION**

#### **PLEDGE OF ALLEGIANCE**

At the invitation of Mayor/Chairman/President Kennedy, Interim Chief of Police Bruce Cummings led the Pledge of Allegiance.

#### **INTRODUCTIONS**

City Manager Tewes introduced the Interim Police Chief Bruce Cumming.

#### **CITY COUNCIL REPORT**

Council Member Carr reported on the City-School Liaison Committee. He stated that Interim Chief of Police Cumming attended the last meeting as policing issues at the schools are always ones that the City wants to be available to talk about. He indicated that the School District had high praise with the contact that they have had with Chief Cumming and the response they receive from the police department over the years at well. He stated that the School District reported that the new Sobrato High School is on schedule for a fall 2004 opening and that they recently held an open house. He stated that he toured the construction taking place and the future plans for the site. In addition to this committee, the City-School District has put together an ad hoc committee to talk about the opportunity to joint plan some facilities. He indicated that this committee has met twice and that high on the agenda has been the library and corporation yard. Other items to be discussed are future parks in the city and how they can be better coordinated with future/existing schools. He indicated that this ad hoc committee has been given a 90-day window and that it is his hope that this ad hoc committee will have something to report back soon. He stated that he also serves on the Council's Economic Development Subcommittee, indicating that an extensive report will be presented on the downtown RFP process that has been a vast majority of the committee's work lately. He stated that he would defer his comments to the discussion of this item later on the agenda. He indicated that the Live Oak High School Performing Arts class is presenting Westside Story on March 25, 26 and 27 and April 1, 2, and 3 at the Live Oak Little Theater.

Council Member Tate presented an update on the Library subcommittee. He indicated that the subcommittee will return with a recommendation on how the City will supply a library to the community and have a plan in place by June should the City not receive State funding. He said that two efforts are taking place at this time: 1) site selection and 2) financing efforts. Although they intermingle, he is trying to keep them separate. He said that the last time the library subcommittee reported there were four potential sites: two at the civic center and two or more in the downtown area. He stated that the subcommittee believes that there are two viable library sites. It is believed that the idea of using the existing location for the library is not a good one as it would be a lost asset to the City. It would result in a lot of disruption while it is being built and that there is not a significant amount of savings by going to this location. Therefore, the civic center option is the site behind City Hall, the same site as the Proposition 14 application. He indicated that the library subcommittee met with the School District about the potential use of the Britton Middle School site but that the School District believes that they need the site in terms of their own flexibility for future uses/options that they are looking at (e.g., reconfiguration of the Britton Middle School campus). He indicated that the library subcommittee is proceeding as though this is the preliminary signal from the School District that the Britton Middle School site will not be an option. He stated that this results in one other option in the downtown area, the Sunsweet site located between Third and Fourth Streets, on the Depot side. He indicated that the library subcommittee, Library Commission and other citizens met last week with Rocke Garcia, owner of the Sunsweet site. He indicated that Mr. Garcia has volunteered to come up with a design for the library, hiring an architect and meeting with Nancy Howe, the local librarian and Sara Flowers, the County Deputy Librarian, to talk about the design that they would like to see. He indicated that the Proposition 14 application stipulates a 40,000 square foot library facility. It is now felt that a 26,000-30,000 square foot library may be appropriate. He indicated that the library subcommittee is recommending that the City proceed with a design of this size. He said that a study is being undertaken in terms of the exact programming that would determine the appropriate square footage that

would be appropriate for the community. He indicated that the library subcommittee will be taking these two options and design for the proper sized library. He stated that it is proposed to have a lot of public outreach with these designs, asking the public for its preference of a library site. One of the things being suggested with the downtown site is that the City works on a lease arrangement. He stated that the library subcommittee has requested that the City Manager study the options to determine if they are feasible and whether there is a potential for savings with new construction. He stated that with any library scenario, there is a funding gap. It was his belief that the library subcommittee would be asking the Council for workshop sessions to study options as the City goes along to determine whether the alternatives are viable options or whether there were other alternatives.

Mayor Pro Tempore Sellers indicated that he and Council Member Chang serve on the multi generational center (IRC) committee. He indicated that the design development is proceeding on schedule. He stated that the committee met with the architects on February 9 to review the design. In keeping with Council concerns about the budget, the committee spent most of its time discussing value engineering to determine whether there were better ways of doing things or whether there were items that the City is spending money on that were not necessary. He stated that the architects have kept on budget, indicating that this work is continuing on pace with a report to be presented to the Council in April.

Council Member Chang indicated that the SCRWA Board will be holding a workshop on March 9, 2004 to discuss the future plans for expansion and discharge issues. She requested that Council members forward any comments or ideas about these two items to her or Council Member Carr.

### **CITY MANAGER REPORT**

City Manager Tewes stated that he would reserve his comments relating to the City's budget to later this evening. He advised the Council that staff has begun to prepare budget recommendations for the year that begins July 1, 2004. He said that the City anticipates the most challenging budget in a decade. Therefore, it is important for the City to begin to develop a series of options that will be presented to the Council as there will be difficult budget decisions to make.

### **CITY ATTORNEY REPORT**

City Attorney Leichter indicated that she did not have a report to present this evening.

### **PUBLIC COMMENT**

Mayor/Chairman/President Kennedy opened the floor to public comment for items not appearing on this evening's agenda.

Mayor Pro Tempore/Vice-chair Sellers announced the Morgan Hill Community Foundation's first annual Directors Ball, "A Night in Hollywood," to be held on Saturday, February 28, 2004 at 7 p.m. He

stated that this event will benefit the Foundation that supports a wide range of projects throughout the community.

Mayor/Chairman Kennedy announced that Silicon Valley Reads will feature a book written by Ray Bradberry entitled *Fahrenheit 451*. He indicated that there will be an introduction/showing of the book at the Community and Cultural Center on March 7, 2004 from 2:30–4:30 p.m.

No further comments were offered.

Mayor/Chairman Kennedy recommended that item 26 be considered following agenda item 22.

Council Member Tate and Mayor Pro Tempore Sellers noted that there were other individuals in attendance this evening to address other items on the agenda and recommended that the Agenda order be followed.

## ***City Council Action***

### **CONSENT CALENDAR:**

Mayor Kennedy requested that item 9 be pulled from the Consent Calendar.

**Action:** *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Approved** Consent Calendar Items 2-8 and 10-17 as follows:*

2. **JANUARY 2004 FINANCE & INVESTMENT REPORT**  
**Action:** **Accepted** and **Filed** Report.
3. **PERFORMANCE MEASURE UPDATE – SECOND QUARTER FISCAL YEAR 2003-04**  
**Action:** **Received** and **Filed**.
4. **STATUS OF GOALS ADOPTED BY THE CITY COUNCIL ON FEBRUARY 26, 2003**  
**Action:** **Accepted Report** on the Status of Goals Adopted by the City Council on February 26, 2003.
5. **RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS) 2003 QUARTERLY REPORT #4**  
**Action:** **Accepted** and **Filed** the RDCS Fourth Quarter Report for 2003.
6. **SUBDIVISION APPLICATION, SD-03-12: SAN PEDRO-DICONZA**  
**Action:** **Took No Action**, Thereby Concurring with the Planning Commission's Decision Regarding Approval of the Subdivision Map.

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7. **REIMBURSEMENT FOR PUBLIC IMPROVEMENTS BY COYOTE CREEK ESTATES (TRACT 9396)**  
*Action: 1) **Approved** Appropriation of \$38,656 from Current Year Unappropriated Measure P Capital Improvement Fund (CIP) to fund this Reimbursement; and 2) **Authorized** the City Manager to Execute the Reimbursement Agreement on Behalf of the City.*
  8. **AQUATICS CENTER PROJECT – JANUARY CONSTRUCTION PROGRESS REPORT**  
*Action: **Information Only.***
  10. **GALVAN PARK HANDBALL COURT AND LANDSCAPE BEAUTIFICATION PROJECT**  
*Action: 1) **Accepted** as Complete the Galvan Park Handball Court and Landscape Beautification Project in the Final Amount of \$63,954.00; and 2) **Directed** the City Clerk to File the Notice of Completion with the County Recorder's Office.*
  11. **FILING OF PROPOSITION 40 GRANT APPLICATION FOR THE COMMUNITY PARK IMPROVEMENT PROJECT**  
*Action: 1) **Adopted** Resolution No. 5768, Approving the Filing of an Application for Local Assistance Funds From the Proposition 40 Per Capita Grant Program Under the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002; and 2) **Designated** the City Manager as the Authorized Agent to Submit and Execute All Documents Related to the Grant.*
  12. **PURCHASE OF NEW SEWER FLUSHER**  
*Action: 1) **Approved** the Purchase of a 2004 "Vac-Con" Hydraulic Sewer Cleaner for the Sewer Division at a Total Price of \$208,564.10 in Accordance with Section 3.04.150.B and Section 3.04.180 of the Municipal Code – Purchase Through another Government Entity; and 2) **Declared** R87101 (Pickup Truck) and S87112 (1987 Vactor Hydraulic Sewer Cleaner) as Surplus Equipment.*
  13. **APPROVE COUNCIL POLICY REGARDING DELEGATION OF AUTHORITY TO SETTLE CLAIMS AND LAWSUITS**  
*Action: **Approved** Council Policy 04-01 Regarding Delegation of Authority to Settle Claims and Lawsuits.*
  14. **APPROVE PURCHASE OF CMAS PRODUCTS FOR THE FURNISHINGS, FIXTURES, AND EQUIPMENT (FF&E) FOR THE NEW POLICE FACILITY**  
*Action: **Authorized** the City Manager to Approve a Purchase Order in the Amount of \$68,340.25 to Partners in Progressive Storage Solutions for the Furniture, Fixtures and Equipment (FF&E) at the New Police Facility.*
  15. **ADOPT ORDINANCE NO. 1654, NEW SERIES**

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**Action:** ***Waived** the Reading, and **Adopted** Ordinance No. 1654, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT AGREEMENT, DA 03-14 FOR MP 02-19: EAST CENTRAL - WARMINGTON (APNs 726-20-003 & 726-28-048 through 052).***

**16. THE LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT**

**Action:** ***Adopted** Resolution No. 5769.*

**17. MID-YEAR 2003-2004 BUDGET ADJUSTMENTS**

**Action:** ***Approved** Proposed Mid-Year Budget Adjustments for Fiscal Year 2003-2004.*

**9. ACCEPTANCE OF SAN PEDRO POND FENCING PROJECT**

Mayor Kennedy indicated that this particular project has only one access point, noting that this is a long trail. He expressed concern about emergency access, especially if someone is alone and had a problem. He stated that you would have to walk about a mile to get back to the front entrance. He suggested the installation of a 911 box, an emergency access gate or a second entrance on the San Pedro side. He requested that staff look at possible solutions that may address this concern.

City Manager Tewes stated that staff could analyze options and include a recommended solution as part of next year's budget.

**Action:** *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0): 1) **Accepted** as Complete the San Pedro Ponds Fencing Project in the Final Amount of \$74,706.18; and 2) **Directed** the City Clerk to File the Notice of Completion with the County Recorder's Office.*

***City Council, Redevelopment Agency, and Financing Authority Commission Action***

**CONSENT CALENDAR:**

**Action:** *On a motion by Council/Agency/Commission Member Tate and seconded by Council/Agency/Commission Member Carr, the City Council, Redevelopment Agency and Financing Authority Commission unanimously (5-0) **Approved** Consent Calendar Item 18 as follows:*

**18. MINUTES OF JOINT SPECIAL AND REGULAR CITY COUNCIL, SPECIAL REDEVELOPMENT AGENCY, AND MORGAN HILL FINANCING AUTHORITY COMMISSION MEETING OF FEBRUARY 4, 2004**

**Action:** Approved Minutes as Written.

## ***City Council Action***

### **PUBLIC HEARINGS:**

**19. ZONING AMENDMENT, ZA-03-14/DEVELOPMENT AGREEMENT, DA-03-11: SAN PEDRO-DICONZA – Ordinance Nos. 1655 and 1656, New Series**

Director of Community Development Bischoff presented the staff report.

Mayor Kennedy opened the public hearing. No comments being offered, the public hearing was closed.

**Action:** On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) Approved the Mitigated Negative Declaration.

**Action:** On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) Waived the Reading in Full of Ordinance No. 1655, New Series

**Action:** On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council Introduced Ordinance No. 1655, New Series, by Title Only, as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING A PRECISE DEVELOPMENT PLAN CHANGING THE ZONING FROM R2-3,500 TO R2-3,500 RPD ON A 6.6-ACRE LOT AT THE NORTHEAST CORNER OF SAN PEDRO AVENUE AND BUTTERFIELD BOULEVARD. (APN 817-11-061, ZA-03-14: SAN PEDRO-DICONZA)**, by the following roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

**Action:** On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) Waived the Reading in Full of Ordinance No. 1657, New Series.

**Action:** On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council Introduced Ordinance No. 1656, New Series, by Title Only, as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING DEVELOPMENT AGREEMENT, DA 03-11 FOR APPLICATION MP-02-07: CORY-SAN PEDRO PARTNERS. (APN 817-11-061)**, by the following roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.



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**20. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) RE-PROGRAMMING OF FUNDS FOR DAYWORKER CENTER**

Assistant to the City Manager Eulo indicated that the Council may wish to consider agenda item 24 in conjunction with agenda item 20 as the two items are closely related and both involve funding to make the dayworker center a reality.

**Action:**        *It was the consensus of the City Council/Redevelopment Agency to consider items 20 and 22 at this time.*

Assistant to the City Manager Eulo presented the staff report, indicating that he attends the dayworker committee board meetings as the City's liaison. He stated that Board's activities are focusing on fundraising from this point forward as raising funds is an ongoing activity that will be necessary in order to make the dayworker center operational once the center is opened. He indicated that what is proposed this evening is the reprogramming of \$50,000 in CDBG funds in item 20 that is currently allocated to the Galvin Park Improvement projects. He said that the \$50,000 for the Galvin Park project can be made up in the CDBG project that the Council will be undertaking in a month under this federal fiscal year cycle.

Council Member Carr referred to the 2004 CDBG cycle and inquired how much the City would have to allocate.

Director of Business Assistance and Housing Services Toy responded that there would be \$130,000 available in the 2004 non public service funds to allocate.

***City Council and Redevelopment Agency Action***

**OTHER BUSINESS:**

**24. OFF-SITE IMPROVEMENTS FOR DAY WORKER CENTER – *Resolution Nos. 5770 and MHRA-248***

Director of Business Assistance and Housing Services Toy presented the staff report. He indicated that the latest estimate for the installation of offsite improvements is upwards of \$195,000. Of this amount, \$180,000 would be allocated to the developer and \$15,000 would be allocated to the dayworker project. He highlighted the deal points of the loan. He indicated that funds for the loan would not come from the economic development funds set aside for the downtown. He indicated that there is approximately \$400,000-\$500,000 within the budget that is called loans and grants and that Council action this evening would take approximately half of these funds.

Council/Agency Member Tate stated that the economic development strategy talks about allocating funding to the downtown. It was recommended that funding be in terms of a loan with quick

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turnarounds in order to keep the money working. He did not believe that a 10-year loan is a quick turn around.

Mr. Toy indicated that staff originally proposed a loan due in five-years. The developer returned with a request for a 10-year loan. After negotiations, it was agreed to have the loan deferred for five years and payable over the remaining five years with the direction of having a shorter payback period.

Mayor Pro Tempore/Vice-chair Sellers noted that staff indicated that the loan was due upon moving ahead with the project (pulling permits). He stated that the Council/Redevelopment Agency wants the project to proceed sooner than 10-years. He felt that it would be highly likely that the money would be paid back sooner as a private sector has a strong interest in doing so. If this is the case, he would be comfortable with the action being recommended.

Mayor/Chairman Kennedy opened the floor to public comment for items 20 and 24.

City Manager/Executive Director Tewes indicated that there is a committee of community individuals who are sponsoring the dayworker center project. He clarified that the lease/security agreement is to be with the Archdiocese of San Jose.

Leslie Miles indicated that she is the owner of the property and architect for the project, but is not the contractor for the dayworker center. She said that the requirement to complete the section along Depot for curb, gutter, sidewalk, and underground utilities came up. She agreed that the installation of the offside improvements was a good thing to do as the water from Main Avenue is creating a large lake at the corner of the property. However, it is a situation where she is viewing the dayworker center as a temporary use for the site. She stated that it is her intent to develop the site as soon as possible after the dayworker center has been in the location for the period of time agreed upon.

Council/Agency Member Tate noted that the dayworker center use is a temporary three-year use. He inquired as to the reason for the 10-year repayment period.

Ms. Miles clarified that the loan was amortized over a ten year period. She said that one of the items that was agreed upon was that when she pulls a permit, the loan would come due. She indicated that she has to pull a building permit within four years. What she is paying on the property would require that she proceed as quickly as possible once the dayworker center has moved to a new location. She clarified that she is requesting a 10-year amortization and that she would start paying back the loan in five-years.

Council/Agency Member Carr inquired as to the term of the \$350,000 loan previously approved to Weston-Miles.

Ms. Miles responded that the \$350,000 is a 3-year loan and that she anticipates incorporating the loan into her long term financing plan this fall. She stated that she would not develop that section of Depot if

it were not a requirement. She stated that the dayworker center is driving this part of the off site improvements and the need to fix the drainage problem.

No further comments were offered.

Mayor Pro Tempore/Vice-chair Sellers indicated that normally, when the City allocates CDBG funds, there is a specific set amount of funding going to a specific project. He stated that he would like the Council/Agency Board to find a way to have the opportunity to recover some or all of these costs by encouraging the applicants to return any unused funds. Given that there are some concerns about a loan and the fact that there is an institution involved, it makes it more difficult to set up a direct loan. He stated that he was inclined to proceed this evening if the City can figure out a way to ensure that everything will be done to minimize the amount of funds to be used so that the funds can be returned. As an alternative, a loan is set up such that the City would have the opportunity to see these funds recirculated back in the future. He inquired if this was an area that the Council/Agency Board could give staff latitude as he does not want to delay action this evening.

Council/Agency Member Tate concurred with Mayor Pro Tempore/Vice-chair Sellers. It was his hope to receive a report that the project would not require the full \$50,000 as he heard that there were some cost savings being looked at.

Mr. Eulo assured the Council that every effort is being made, on staff's part, to assist the dayworker committee to reduce costs. If it does not take the full \$50,000 to install the off site improvements, City staff would not allow the committee to draw down on this funding. He was confident that the dayworker committee would have a hard time making up the loan that is being suggested with item 24 and that adding another loan at this point would be unrealistic. He said that there is one cosmetic change that could be made that may save some money. He noted that the building is required to install metal siding in order to match the granary building. This cosmetic element would cost some money and that this is an element that could be eliminated in the interest of saving money. He said that staff will do what it can to assist the dayworker committee in finding other opportunities to reduce costs.

Mayor Pro Tempore/Vice-chair Sellers noted that the granary building no longer looks like the granary. Therefore, he was not sure that there was a need for the dayworker center building to match it at this point. He encouraged staff to eliminate the metal siding and any other items that might further reduce costs.

Council/Agency Member Carr stated that this has been an issue that has been before the Council many times and that it has been a difficult discussion. He said that everyone wants to find a solution to what is taking place with the dayworker community in Morgan Hill. Everyone wants to find a solution that provides a safe and reliable place for individuals who are seeking work. He noted that the Council has struggled with funding for this project and that it was stated from the beginning that this was not something the City wanted to get involved with as the City should not be the one to solve this problem. He stated that a great church community group has come together to try and assist the dayworkers. He stated that he has struggled with this issue, noting that each and every council member has gone out and

tried to help in different ways. The Council also struggled with the idea of changing one of its ordinances specific to this project to allow interim uses so that some of the requirements would be easier and less expensive to accomplish. It was proposed to the Council, at that time, that changing the ordinance would make up the financial gap and not necessitate further financial assistance from the City. He noted that this has not been the case. He stated that he struggles with the use of CDBG funds because it takes away from other uses. There is a great concern that these federal dollars are not included in the President's budget. The other items that the Council thought about using these dollars for will certainly be gone if the Council starts using the dollars in advance. However, the Council has a significant issue before them that needs to be resolved. He recommended that the City find ways to make sure that the allocation of dollars is only what is needed and nothing more. He further recommended that the City figure out a way to make sure that some of these dollars come back to the City. This would make the Council/Agency Board feel comfortable in supporting the actions and moving forward with it this evening. With the idea that the CDBG dollars would be used in such a way that the City would see some of these dollars come back and that staff makes sure that only the dollars needed will be used, he would be able to support the action this evening.

#### **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) RE-PROGRAMMING OF FUNDS FOR DAYWORKER CENTER**

**Action:**        *On a motion by Council Member Chang and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Approved** the Re-Programming of Fiscal Year 2003-2004 CDBG Funds.*

**Action:**        *On a motion by Council Member Chang and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Authorized** the City Manager to do Everything Necessary and Appropriate to Re-Program CDBG Funds, Including the Execution of All Required Documents to Transfer Funds to the Day Worker Project with the stipulation that the funding will be monitored, used only as necessary, and that the funds are to be paid back as soon as possible.*

#### **OFF-SITE IMPROVEMENTS FOR DAY WORKER CENTER**

Council/Agency Member Tate indicated that he understands that the developer would like a 10-year loan. He also understands why the loan should be amortized for the dayworker center. However, he did not understand why the City would want to amortize the loan for the developer because they are going to develop the property as soon as possible. He stated his support of a seven-year amortization period.

Mr. Toy clarified that the terms of the loan are such that it would be a five-year deferred loan or due and payable upon pulling permits for the permanent development of the property, whichever comes first.

Council/Agency Member Carr stated that he sits on the City's economic development subcommittee and that this committee has spent a lot of time going through a process for improving the downtown. He

noted that the City has a specific amount of set-aside dollars reserved for the downtown. The way that the loan is set up does not match his understanding of the downtown association's interest on how these dollars are to be used. He said that the economic development subcommittee has tried to pay a lot of attention to how the downtown dollars are used. He stated that he understood that the offsite improvement requirements are important in order to complete the dayworker center. However, he was troubled by the way economic development assistance packages are being put together because the City has not established a criteria, or provided continuity to individuals who are interested in pursuing development in the downtown. Therefore, he continues to have reservations about this request.

***Acting as City Council:***

**Action:** *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Chang, the City Council, on a 4-1 vote with Council Member Carr voting no, **Adopted** Resolution No. 5770, Making Findings Required by California Redevelopment Law.*

***Acting as Redevelopment Agency:***

**Action:** *On a motion by Vice-chair Sellers and seconded by Agency Member Chang, the Agency Board, on a 4-1 vote with Agency Member Carr voting no, **Adopted** Resolution No. MHRA-248, Making Findings Required by California Redevelopment Law.*

**Action:** *On a motion by Vice-chair Sellers and seconded by Agency Board Member Chang, the Agency Board, on a 4-1 vote with Agency Member Carr voting no, **Authorized** the Executive Director, Subject to City Attorney Review and Approval, to do Everything Necessary to Modify, Execute and Implement Loan Agreements with the Day Worker Committee, or its Designee, for an Amount not to Exceed \$15,000; and Weston-Miles Architects for an Amount Not to Exceed \$180,000, to Install Off-site Improvements for the Day Worker Center Located on Depot Street.*

**21. ZONING AMENDMENT ZA-03-19: CITY OF MORGAN HILL – ZONING TEXT AMENDMENT/ COMMUNITY ACTIVITY SIGNS AND CHANGEABLE COPY SIGNS FOR PUBLIC AGENCIES, SCHOOLS, PLAYHOUSES AND RELIGIOUS INSTITUTIONS** (Continued from 1/21/04)

Director of Community Development Bischoff presented the staff report, informing the Council that this item is not ready for its consideration. He recommended that the public hearing be continued to March 17, 2004, following receipt of public testimony.

Mayor Kennedy opened the public hearing. No comments were offered.

**Action:** *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Continued** Public Hearing to March 17, 2004.*

**22. SUBDIVISION APPLICATION, SD-03-08/ZONING AMENDMENT APPLICATION, ZA-03-10/DEVELOPMENT AGREEMENT, DA-03-06: WATSONVILLE-SOUTH COUNTY HOUSING** (Continued from 12/17/03)

Director of Community Development Bischoff presented the staff report. He identified the three alternative site plans consisting of a 10, 11 and 12 unit project prepared by South County Housing. He indicated that planning and engineering staff believes that the 10-unit alternative is a better alternative in terms of livability of the project as it provides more parking and driveway aprons. It provides more common open space that can accommodate a tot lot and guest parking. It also provides for greater setbacks from Watsonville Road and other streets. However, there are cost implications related to this alternative.

Mayor Kennedy indicated that Scheme 1 is a proposed duet development, similar to the existing development. He noted that Scheme 1 provides two car garages but lacks driveway aprons.

Mr. Bischoff informed the Council that Scheme 1 is similar in design to that of the Creekside development, indicating that the City has had a number of problems with individuals not parking in their garages. Individuals park next to their garages to drop off groceries or park for an extended period of time, prohibiting others from getting by or from backing out of their garages, creating problems.

Business Assistance and Housing Services Manager Maskell presented a brief history of the project that started with a 2001 teacher survey. The survey results indicate that teachers interested in affordable housing were those starting out in the teaching profession (4 years or less). In 2002, the Council adopted a goal of working with the School District to find a way to assist teachers and provide affordable housing. In the winter of 2002, the City decided that the Watsonville site might make a good site for teacher housing. In April of 2002, staff sent out a request for qualifications to 12 developers, including the developer that built the project adjacent to this project. She indicated that only one response was received, that response being from South County Housing. South County Housing proposed a 7-unit project in September 2002. The Council asked staff to return with a denser project. Teacher focused group meetings were held, including meetings with the neighbors. This resulted in a 12-unit project being brought before the Council in November 2002. In April 2003, the project received Measure P allotments and County home funding was granted in May 2002. In August 2003, the Planning Commission heard the tentative map for the project with the Council hearing the same request for tentative map approval in December 2003. This was when staff was asked to go back and take another look at the density for this project. As a result, South County Housing and staff have returned with the alternatives before the Council this evening.

Jan Lindanthal informed the Council that what she learned from talking to teachers was that the ability to purchase a home was a key factor in being able to live in a school district where they are teaching. This was also a key factor for the School District in being able to attract/retain teachers. She said that whatever program is developed for the site needs to be targeted to serve entry level teachers to the maximum extent possible so that they can afford to purchase a home. The teachers, at the time, felt that there was more than enough demand for the 12-units being proposed. She informed the Council that

South County Housing met with the adjacent neighbors twice to discuss several different alternatives and try to understand their concerns. Concerns raised by the neighbors were: no direct access from the project to Via Naretto; that enough guest parking be provided; the duplex and tri plexes to be designed so that the massing matched their neighborhood; and no shared amenities with their existing subdivision. She addressed the 12-unit site plan presented to the Council at the December meeting. She stated that although the 12-unit design is denser in terms of the number of units per acre, it is less dense if you look at a building coverage or a floor area ratio calculation. She indicated that the adjacent development has a floor area ratio of 59% and the 12-unit development, as proposed, had a floor area ratio of 53%. Although the project had more units, the units were smaller. Therefore, there would be less building coverage on the site. She performed perspectives to show what the project would look like next to the existing units to determine whether the massing would be consistent. She heard from the Council, in December 2003, that it was concerned with the overall density, that the project maximizes useable open space, quality of life be maintained for the residents who would reside in the units, be creative as possible with respect to leveraging possible financing sources to reduce the Agency's contribution (make the project as affordable as possible), and that there be sufficient parking. She indicated that concerns were expressed about the condition of Watsonville Road as you turn into Calle Sueno and whether there was adequate width to mitigate the situation. She indicated that South County Housing took the comments expressed by the Council and looked at the project with a fresh perspective. She indicated that South County Housing tried to come up with a design that would address the concerns of the Council. She looked at taking advantage of the City's modified attached ordinance to determine what the project would look like. If the modified attached housing ordinance was used, there is a question whether the project could be designed with fewer variances, yet provide driveway aprons and have more lots meeting minimum lot size, width, setbacks, etc. She indicated that the design that was derived has a floor area ratio of 47%.

Ms. Lindanthal stated that 4-homes are targeted for entry level teachers. She indicated that an entry level teacher earning as little as \$34,000-\$35,000 per year would be able to purchase a home. The median homes would be serving teachers who have been with the School District a longer period of time or have a dual family income. The moderate income homes would serve teachers earning \$90,000-\$126,000. If it is the Council's goal to target entry level teachers, the Council would need to write down \$350,000 of the cost for median priced homes to get the homes down to a selling price of \$235,000. She addressed the financing assistance that she has brought to leverage the Agency funds (e.g., California Finance Agency; Housing Trust Fund of Santa Clara County, Redevelopment Agency Funds, County Home Funds, Below Market Rate Mortgage Financing through their affiliation with Neighborhood Housing Services of America, and down payment assistance through Neighborhood Reinvestment).

Ms. Lindanthal addressed the pros and cons for the 12-unit and 10-unit alternatives. She stated that the 10-unit scenario would provide larger homes, more parking and usable open space, no special insurance requirements, and that it is cheaper to build per square foot basis. However, as there is the same fixed cost being spread over fewer units, the overall cost per unit is higher. The cons with a 10-unit alternative: two fewer homes, two fewer teachers to be assisted, higher total cost per unit and a higher Agency contribution per unit. The pros for the 12-unit scenario: lower total cost per unit; two more homes for teachers; and the massing would be more compatible with the adjacent subdivision. The cons

for the 12-unit scenario: less amount of guest parking; less usable open space; units are smaller; and requires special insurance. She felt that the 12-unit alternative can be a livable environment and can work. She felt that the benefit of assisting two additional teachers outweighs the concerns as they relate to density and that she stands by the 12-unit alternative as proposed. However, she stated that South County Housing is willing to treat this as the partnership that it is, and move forward with whatever the Council decides.

Mayor Kennedy opened the public hearing.

Dan Kenney stated that he likes the reduction to a 10-unit project as it makes sense for the lot size. He noted that the lots are still being proposed on Watsonville Road. He felt that this will be an issue if there are children, as Watsonville is a busy road. He did not believe that the turn issue has been addressed as it is a safety issue. He supported additional parking to avoid parking on the street and blocking the right turn onto Calle Sueno. He said that there would be less density with triplex units. Two of these units could be set aside at market price or median price and one unit at the lower end price. He was pleased that a less dense project has been designed as he felt that 12-units were too high. He felt that a 12-unit triplex development would still result in a density issue. He said that triplex designs work better with increased open space and parking; moving the units away from Watsonville Road so that they are facing inside the community.

Ron Sjostedt informed the Council that he is a teacher. He stated his support of affordable housing for teachers as he was able to come to this community under the City's BMR program. On behalf of other teachers, he felt that it was important that the City provide affordable housing to teachers so that they stay in the community.

Ramona Devaraj, on behalf of the Via Sorrento Board of Directors, stated that they welcome teachers or any other individual who would come into their neighboring community, including the use of the existing park. She stated that the development that is built with code violations cannot offer a quality of life. Of the two options being presented, she supported the lower unit number as it would make the neighborhood and teachers happy, improving quality of life.

Keith Gargitano said that the detached units would look denser as they have been spaced three feet apart. He felt that South County Housing would like to develop a 12-unit project and would do everything to show that this is a better alternative. He inquired why the \$500,000 was not added to the \$855,000 and then calculated to the number of families that the project would help. He felt that numbers were being manipulated. It was his hope that the Council is looking at the proposal and realizing that it is receiving a presentation from individuals who are investing in themselves.

Richard Panches indicated that he is a beneficiary of the City's BMR program. He said that other teachers are waiting to get into a home so that they can participate in after school/community activities instead of driving hours to get to their homes located in another community.



Eugene Strangio indicated that he too was a beneficiary of the City's BMR program. He said that the fear of a neighborhood being brought down and the devaluation of home prices are unfounded. He indicated that that this project is needed in the community and that new teachers would take advantage of the project. He said that one of the first things that new teachers mention is the difficulty of housing prices in the area.

No further comments were offered.

Mayor Kennedy inquired whether a 10-unit project, incorporating some of the suggestions made (e.g. 10-unit duet concept), would make a significant change to what has been presented.

Ms. Lindanthal stated that if you grouped the 10-units together, it would result in zero lot line homes, would not afford a patio area and would have two car garages. She indicated that the open space would be the area between the homes. She said that the only way to get a duet configuration would be to go back to what was originally proposed. A 10-unit duet project would result in the need for the same variances as no aprons could be accommodated based on the footprints of duet units due to the width and depth of the lot.

Jim Yee, project architect, said that it would be difficult to incorporate driveway aprons with a duplex footprint. Designing a 10-unit detached project would be cheaper to construct versus a 10-unit attached project. He said that a triplex unit adjacent to Watsonville Road may work. He said that the adjacent neighborhood did not want the units to be any bigger in proportion to what they have.

Ms. Lindanthal said that the goal in developing this plan was to try to come up with a design that would require fewer variances. When you push units together, the project would result in lot size, driveway aprons and the setback issues.

Council Member Tate stated his preference of the 10-unit detached alternative with zero lot lines as it accomplishes the Council's objective set in December of reducing the number of variances required. He indicated that not all variances have been eliminated but that the project has gotten closer. He felt that scheme 3 was the right alternative.

Mayor Pro Tempore Sellers agreed with Council Member Tate, noting that significant concerns were raised initially about the project. On one hand, it had viability and on the other hand, livability. He noted that there were concerns from the neighborhood that it would not fit in. He stated that the issue about the driveway aprons was a concern of his as driveways are not used as intended. Of the options that are available in terms of financing, viability, and livability, alternative 3 is the scenario that makes sense. He stated that he would like to move forward with this scenario this evening.

Council Member Carr said that as disappointed that he is that the project is being scaled back because the need is greater than 10-units, he was pleased with what has been presented. He felt that the 10-unit alternative is an attractive design. In scaling the project to 10-units, he noted that the project is still keeping the same number of units available to the entry level teachers. He stated that the Council wanted

to target entry level teachers from the very beginning. He said that the cost per unit will go up because the City is retaining the 4 units available to entry level teachers. He agreed that there is a need in Morgan Hill to provide housing assistance for entry level teachers. He felt the project would make great use of the modified attached ordinance in order to lower the cost when it comes to insurance. He stated his support of the 10-unit alternative.

Mayor Kennedy noted that there is a general consensus for the Scheme 3 alternative by the Council/Redevelopment Agency.

City Manager Tewes indicated that one of the speakers raised the question about the presentation, specifically the Redevelopment Agency's investment in the project. He felt that there may have been some misunderstandings. He stated that it is the Redevelopment Agency of Morgan Hill that is required by law to set aside 20% of its resources to help fund the production of low and moderate income housing. He indicated that the total assistance available, including the land, is \$855,000.

Mr. Toy informed the Council that the initial Redevelopment Agency investment for 10-units is more than \$855,000 but that the net investment of the Agency is \$855,000. He clarified that after the homes are sold, the City gets paid back a partial amount that has been fronted.

Ms. Lindanthal clarified that the value of the land is at \$400,000.

Council Member Tate said that when he spoke with Ms. Lindanthal about this project, it was discussed that the City will have this problem in the future again. He said that variances will be necessary for affordable projects. He recommended that the Council conduct a workshop to discuss the variances that may be necessary for affordable projects, establishing policies for affordable housing.

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Continued** Public Hearing to March 24, 2004.*

**Action:**        *It was the consensus of the City Council to **Support** the Scheme 3 alternative design.*

## ***Redevelopment Agency Action***

### **OTHER BUSINESS:**

#### **23.     WATSONVILLE ROAD TEACHER HOUSING PROJECT – FIRST AMENDMENT TO THE PREDEVELOPMENT LOAN AGREEMENT**

Director of Business Assistance and Housing Services Manager Maskell presented the staff report.

Mayor Kennedy opened the public comment. No comments were offered.

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**Action:**      *On a motion by Vice-chair Sellers and seconded by Agency Member Tate, the Agency Board unanimously (5-0) **Approved** the First Amendment to the Predevelopment Loan Agreement with South County Housing Corporation (SCH), Increasing the Loan Amount by \$100,000.*

**Action:**      *On a motion by Vice-chair Sellers and seconded by Agency Board Member Tate, the Agency Board unanimously (5-0) **Authorized** the Executive Director to Execute the Agreement.*

## ***City Council and Redevelopment Agency Action***

### **OTHER BUSINESS:**

#### **25.      DOWNTOWN REQUEST FOR CONCEPTS PROCESS**

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that what is before the Council/Redevelopment Agency is the Council Economic Development Subcommittee's (EDS) recommendation related to responses received from the downtown request for concepts process. He said that the EDS is making a variety of recommendations on actions relating to quick hitters and requesting that the City issue an RFP to the remaining 12 proposals in the process.

Council/Agency Member Chang noted that there is one applicant that the EDS is recommending go toward RFP. She indicated that this applicant is her insurance agent and inquired whether she would be considered a common law conflict on this application.

Mayor Pro Tempore/Vice-chair Sellers said that every member of the Council/Redevelopment Agency would have a common law conflict and each would have to step down.

Council/Agency Member Carr indicated that there were several exciting projects being proposed and thanked individuals who submitted requests/proposals and their willingness to work with the City on different things.

Council/Agency Member Tate indicated that the EDS separated the proposals into quick hitters and the ones that should go to an RFP process. He stated that the EDS has received input from some of the members of the Downtown Association, comments from Council/Agency Member Chang and himself in terms of how the City will fund the library. He indicated that the City is looking for a potential site for a library in the downtown. There is a question whether it would be fair to move forward with an RFP process if the City did not really intend to follow through with it. He indicated that he and Council/Agency Member Carr share this concern, understanding that there is a long uphill battle to try and find funds for the library. Regarding the recommendation relating to the quick hitters, he felt that Mr. Toy did an excellent job explaining the recommendations.

Mayor/Chairman Kennedy noted that the owner of the Sunsweet site has submitted a request.

Council/Agency Member Tate said that it is his understanding of the Sunsweet request is that it would be complimentary to the site for the library in terms of designing a wide pathway down the middle of Third Street, adjacent to the library. This would make for a very attractive setting for the library, including lighting. He stated that it was also his understanding that the Sunsweet proposal does not propose to pay for any of the construction costs associated with the library.

Mayor Pro Tempore/Vice-chair Sellers stated that the City already provided initial funding to the Downtown Association to help the DiSalvo project on Monterey Road get off the ground. He noted that the project is not up and running and that the physical structure is not available as a retail facility as quickly as was anticipated. He recommended latitude in allocation be given to the Executive Director to make sure that the project works as the City already made an investment to this project and not place it at risk.

Mr. Toy indicated that staff felt that the art guild and gallery (DiSalvo project) would be up and running sooner. He indicated that the owner recently pulled a building permit as a result of trying to resolve issues with the fire and pretreatment departments. He said that the Planning Commission wanted to make the project subject to ARB review who had some concerns. He said that there was 1 ½ - 2 months delay. It was staff's belief that the project would be up and operating in January 2004 but that it looks like the project would not be up and running until March 2004. He said that it was his understanding, from the owner, that she is anticipating four months worth of revenue starting in January 2004 in the range of \$12,000-\$16,000 to be generated. This amount would be used to help keep the operation running after April 2004. The owner has expressed concern that she does not want to undertake this project in March and April if she does not have a commitment of funding because she will go under in May. The owner will want funding committed so that she knows that she has a full six month period of time to get the business up and running.

Mayor Pro Tempore/Vice-chair Sellers indicated that he spoke to the business owner, indicating that she did not request funding. However, he recommends that the Council/Agency Commission give latitude to the Executive Director should additional resources needed. He felt that this would be a minimal amount of funding but would ensure the success of what he believes would be an outstanding project.

Mayor/Chairman Kennedy opened the floor to public comment. No comments were offered.

Council/Agency Member Tate noted that the last staff recommended action is to move forward with the request for proposals. He indicated that the EDS would be conducting more discussion before finalizing its recommendation.

***Acting as City Council:***

**Action:** *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Accepted** the Council's Economic Development Subcommittee Recommendations Regarding the "Quick Hitter" and "Information*

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*Gathering” Proposals under the Downtown Request for Concepts (RFC) Process as Described in the Staff Report’s Table.*

***Acting as Redevelopment Agency:***

**Action:** *On a motion by Vice-chairman Sellers and seconded by Agency Board Member Tate, the Agency Board unanimously (5-0) **Authorized** the Executive Director to do Everything Necessary and Appropriate to Implement the Recommendations, Including Preparing and Executing Documents for Triple Facade Grants and Loans, Not to Exceed the Recommended Amounts, authorizing the Executive Director additional latitude to the DiSalvo project at a not to exceed \$12,000 in assistance.*

***Acting as City Council:***

**Action:** *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Directed** the Economic Development Subcommittee to Issue the Request for Proposals to the Recommended Applicants.*

## ***City Council Action***

### **OTHER BUSINESS:**

#### **26. UPDATE ON MEDICAL SERVICES OBJECTIVES**

Joe Mueller informed the Council that a new set of objectives, as proposed by the DePaul Health Center Management Team for short term medical services objectives, were faxed to the Council today and contained a minor change as requested by Council Member Chang. He stated that the Morgan Hill Medical Health Foundation is working with the DePaul Health Center to propose the short term objectives, including a policy that goes on top of the objectives. He indicated that the policy was meant to be an overall statement of what he believes the City’s policy should be in regards to medical services. He stated that the policy recognizes the fact that there are two large groups: individuals who use Kaiser and those who do not use Kaiser. This is why the policy talks about multiple providers in the large sense. In terms of the DePaul objectives, he indicated that Andrew Barna was in attendance to address the objectives. He indicated that the six month objectives are being executed upon even though there has been a discussion period for approximately 60 days.

City Manager Tewes informed the Council that it has been presented with three documents that it may wish to consider: 1) policy objectives adopted by the Council in April 2000; 2) suggestion by the Morgan Hill Community Health Foundation about policy statements; and 3) revised material from the DePaul Health Center.

Andrew Barna, DePaul Health Center Management Team, informed the Council that JoAnn Allen sends her regrets that she could not be in attendance this evening. However, she wanted to move forward and present the objectives to the Council so that it is aware of the actions that the DePaul Health Center is committed to in terms of broad objectives. He indicated that he would be willing to answer questions.

He said that the main focus is establishing the basis for expanded medical services in Morgan Hill. In order to do so, it is felt that a physician base is needed, one that will be adequate for the community and brings focus of health care services back to the DePaul Health Center. It has been the focus to lease the medical office building that is currently open. He indicated that the DePaul Health Center has started to sign leases. They are building out a timeshare where physicians from other communities can rent out blocks of offices in order to see patients in Morgan Hill. He stated that he spoke to a San Jose physician today who would like to set up a time share at the DePaul Health Center in order to see her Morgan Hill patients in Morgan Hill. In addition to physicians, he stated that a good base for healthcare services is diagnostic services. He said that a short term objective is to provide diagnostic services within the medical office building in the next six months in association with St. Louise Hospital. He stated that it is known that urgent care is a service that the community has been interested in. He indicated that they have been speaking with two different physician groups about urgent care services in the emergency room of the hospital. In order to move into the old emergency room, facility upgrades will be necessary. The DePaul Health Center has been told that they do not need to go through the State for the upgrades, only city approval. It is their hope that they can proceed with the upgrades within a short time frame.

Council Member Tate said that the only concrete measurable objective he has heard is the establishment of a diagnostic center within six months.

Mr. Barna indicated that leasing out a majority of the office space is another measurable goal that the DePaul Health Center has. They also want to be far along in the process of providing urgent care services. He indicated that the reason that they cannot commit to opening an urgent care center in six months is due to the fact that they have to figure out the facility improvements that need to be made to the old hospital facility to meet city code. This may be a process that may take longer than six months.

Council Member Tate said that it would be helpful to see a timeline where it identifies when objectives/goals are to be accomplished so that the Council can measure progress against the timeline.

Mr. Mueller informed the Council that the short term objectives are targeted to be completed within six months. He noted that the DePaul Health Center hopes to have a plan in place for out patient services as well as having a facility ready for an urgent care. Also, it is proposed to develop a manpower plan. He said that it is important to note that the timeshare will get medical services back to where the City was when the hospital facility was opened, noting that there were a lot of timeshare doctors within the hospital facility. He felt that a lot of important actions will be taking place within the next six months.

Council Member Carr inquired whether the blue document is one that the DePaul Health Center would like the City of Morgan Hill, Morgan Hill Community Health Foundation, and the Daughters of Charity to approve. He further inquired whether the DePaul Health Center has its own board or an operating body that can approve the document as well. Is it the idea that all four bodies will approve this document?

Mr. Barna indicated that the DePaul Health Center has a community advisory board established with community members as well as member representatives of the Daughters of Charity. He stated that the

objectives were written in order to clarify the direction that they were planning on taking. This would help give the City Council something to mark and measure progress. It is his hope that all parties mentioned by Council Member Carr would accept these objectives.

City Manager Tewes said that DePaul Health Center would like to have the Council accept their objectives but that he was not sure that it was written precisely to suggest that the Council should adopt them as their public policy objectives. He indicated that the Council adopted public policy objectives in April 2000. Last year, the Council requested a review of these objectives and requested input from the Morgan Hill Community Health Foundation. When the DePaul Health Center came to light, the Council asked them what they would accomplish in terms of short, medium and long term objectives. The Council asked what role, if any, they would seek from the City or the Foundation. Therefore, the document presented is responsive to the Council's questions about what the DePaul Health Center's objectives are and the extent to which the City and/or the Foundation would be involved. He did not believe that it was intended to be a document that would be adopted wholesale by the Council as its public policy objectives. However, they may form the Council's policy objectives.

Council Member Carr noted that the document starts off with a statement of what the City of Morgan Hill is committed to doing. He felt that this was a document of what the DePaul Health Center is committed to doing to achieve the objectives of the City of Morgan Hill. He did not believe that this was clearly stated in the document and felt that the document needs to clearly state this fact.

City Attorney Leichter noted that the Council has on going litigation and that the document does not include a hospital. While she believes the document has good viable objectives from the DePaul Health Center's perspective, she cautioned the Council against giving the document its stamp of approval other than accepting the report because of the City's on going litigation.

Council Member Carr felt that it needs to be clear that these are DePaul Health Center's objectives to achieve Morgan Hill's policy objectives. He referred to short term objectives and inquired when the clock starts ticking. He referred to objective 5 where it states that the City of Morgan Hill and the Health Foundation will provide DePaul with all the information pertinent to the successful recruitment of new physicians. He inquired what pertinent information is being referenced.

Mr. Barna responded that the clock started ticking on January 2004. He indicated that the pertinent information relates to the research reports that either the City or the Health Foundation had commissioned that discussed the physician need in Morgan Hill.

Council Member Carr recommended that objective 5 be spelled out specifically so that it does not cause confusion where it is assumed that the City will provide more funding toward the successful recruitment of physicians as has been done in the past.

City Attorney Leichter referred to bullet 2 under item 8 which states that "The City of Morgan Hill will revise its health services objectives." For the reasons stated earlier, she advised the Council not to do so

at this time due to pending litigation. Without seeing what the revision would entail, she was hesitant to advise the Council to enter into a commitment by approving the document in its current form.

Mayor Pro Tempore Sellers indicated that the Council is interested in seeing revisions that are articulated differently. He said that the Council needs to consider what its role should be in the future.

Mr. Mueller informed the Council that it has three different documents before it: 1) the original policy statement proposal that the Health Foundation came back with; 2) a document that contains updated wording of the currently adopted objectives of the City Council in terms of short and long term objectives; and 3) updated objectives requested by the Council in November 2003 that identifies what will be done in six months, a year and further out. He said that the Foundation felt that the DePaul team had the best answer to updated objectives as they will be the ones performing the short term objectives. He felt that the Council needs to have a policy in place that recognizes the importance of medical services through the quality of life in the community to give guidance. He said that the Foundation has taken a lead along with actively working with the DePaul Health Center team.

Mayor Pro Tempore Sellers felt that significant progress has been made toward medical services in the past few months and that this needs to be recognized. It also needs to be recognized that it is very unusual for a City Council to get directly involved in medical services in the first place. He felt that the Council needs to reconsider its involvement and that it may be able to sit back as the Foundation has done a terrific job with the DePaul Health Center well underway.

Mr. Mueller did not believe that the Council would want to step so far back that it is not on record to have a policy.

City Manager Tewes noted that this is the fourth time that this item has come before the Council and that perhaps it has lost clarity. He said that originally, the Council asked for the opportunity to review and revise the adopted 2000 medical services objectives. Before reviewing and revising the adopted objectives, the Council asked the Foundation for its comments. Their comments arrived in the form of a proposed substitute policy statement. The DePaul Health Care came into the picture and presented to the Council the results of their planning studies and their hopes/plans for the facility. The Council asked the DePaul Health Center a series of questions, requesting that they tell the Council what the short, mid and long range objectives were. The Council has indicated that before revising the objectives, it wants to know if a new role is being proposed for the Council. He noted that their response can be found in one of the documents. With some clarity in the language, he did not believe that the DePaul Health Center is proposing a new role for the City. However, they are providing the Council with their thoughts on how they will proceed with the property they own and control. He felt that the Council needs to consider whether or not it wishes to change the adopted objectives in light of all the things that have taken place in the past four years. He clarified that the November 2003 objectives presented by the Foundation were not adopted by the Council.

Council Member Tate agreed with the objective as stated by Mayor Pro Tempore Sellers. However, he did not believe that the City was there yet. He stated that the City has made a sizeable investment in



medical services in Morgan Hill. Until the City starts seeing a return on that investment, he did not believe the Council should let go so easily. He noted that the Council has measurable objectives that indicate that there will be some return on investment.

Mayor Kennedy felt that the three documents need to be cleaned up. He agreed that the Council needs to clarify its policy objectives, taking the three documents and updating the Council's policy objectives based on what has been presented.

Council Member Chang referred to the long term objectives. She noted that an objective addresses the acute care hospital. In looking at the DePaul blue sheet, page 2, she felt that it is their long term plan to have an acute care hospital within the next 5-7 years. She requested clarification of this objective

Mayor Kennedy recommended that the Council ask staff to put the information together and bring the documents back to the Council.

Mayor Pro Tempore Sellers felt that the objectives can be reviewed by representatives of the Healthcare Foundation and the Council Medical Services Subcommittee, returning to the Council with a recommendation.

City Manager Tewes indicated that he would work with the Council Medical Services Subcommittee. He said that it may be appropriate to take all the information back to the Medical Services subcommittee, returning to the entire Council with a recommendation.

Council Member Carr said that it might be helpful if staff and the medical subcommittee reviewed the salmon sheet point by point and tell the Council how the Foundation is suggesting changing each one of the objectives and how DePaul's plan tries to achieve these objectives. If the Council's objectives of April 2000 no longer make sense, he recommended that this be stated. He said that there may be objectives that can be eliminated.

Mayor Kennedy indicated that he and Council Member Chang, as alternate, have been attending Foundation meetings. He inquired whether it was acceptable with Council Member Sellers if they can continue with the review of the objectives. Mayor Pro Tempore Sellers agreed to Council Member Chang working with Mayor Kennedy in the review of the objectives.

In response to Council Member Chang's question, Mr. Mueller indicated that the three year period was meant to give the Foundation time to work through understanding when mid-Coyote Valley would develop, what licensure issues would be involved, and the recognition of the fact that if you do not get on with the planning of the acute care facility right of way, it becomes more expensive to accomplish. He said that it is a combination of these three factors that would take three years to get onto the process in order to make a solid judgment. He stated that the Foundation is not giving up on the long term objective of getting an acute care facility. The Foundation is identifying a realistic timeframe of when you can get into solid planning and move forward, recognizing that the facility has a time value. As standards are upgraded and changed, it becomes more difficult. He said that the Foundation found out

that the Catholic Healthcare West had completely delicensed the facility with the State. This raises the bar in terms of getting an acute care center and makes an interim step of outpatient care probable.

Council Member Chang announced that Mr. Mueller has been appointed as the Executive Director of the Morgan Hill Community Health Foundation.

Mr. Mueller informed the Council that a citizens advisory board is working with citizens of Morgan Hill. He stated that the citizens advisory board met and elected officers, indicating that he was selected as chair. He felt that his position would give the city solid representation and shows how serious the O'Connor Board takes citizen input from Morgan Hill in the development of the DePaul Health Center.

**Action:**        *By consensus, the City Council **Received Report***

**27.     REQUEST FOR COUNCIL CO-SPONSORSHIP OF SILICON VALLEY ONE BOOK ONE COMMUNITY READS**

City Clerk Torrez presented the staff report, indicating that last year, Silicon Valley Reads paid \$40 toward this event. However, no commitment to funding has been made to date.

Mayor Kennedy opened the public comment.

Carol O'Hare, representing the Friends of the Morgan Hill Library, Booksmart Bookstore and the Morgan Hill Branch of the American Association of the University of Women, addressed the importance of books and reading. She indicated that the program "Silicon Valley Reads, One Book One Community" was introduced last year. Its purpose is to encourage members of the community to read the same book and then come together to talk about it. She indicated that Silicon Valley Reads chose *Fahrenheit 451*. She said that as this is a community event and that they would like to host the event at the Community Center. She requested that the City of Morgan Hill co-sponsor this event and waive the rental fee for the Community Center for this year's event and for future Silicon Valley Reads events. She stated that the organization has an understanding of the state of the City finances these days. Therefore, the organizations have offered to pay \$100 to help defray the cost of this event.

No further comments were offered.

Council Services & Records Manager Torrez stated that should the Council agree to co-sponsor this event, staff recommends that funding for this event come from the Council's Community Promotion budget.

Mayor Kennedy indicated that with the amount offered from the friends of the Library and others, it would reduce the cost to \$85, to be paid out of the Community Promotion fund.

**Action:**        *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Approved** Request from Silicon Valley Reads for City*

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*Co-sponsorship of Silicon Valley One Book, One Community Reads' Upcoming March 7, 2004 Event. Promoters to pay \$100 toward the event; the remaining \$85 balance to be paid from the Council's Community Promotion account (010-42248-1100).*

Council Services & Records Manager Torrez noted that it has been requested that the Council co-sponsors this event annually. She stated that staff would request Council direction for the purpose of budgeting future years.

Mayor Pro Tempore Sellers stated that it would be appropriate for the group to come back and request co-sponsorship if only to help publicize the event. Therefore, his motion to co-sponsor the event was for this year only.

Mayor Kennedy requested that the Friends of the Library, Booksmart Bookstore and the American Association of University Women return each year for co-sponsorship.

## **28. CITY COUNCIL POLICIES AND GOALS FOR 2004**

City Manager Tewes presented the staff report, indicating that in January 2004, the Council conducted 1.5 days in a goal setting session/retreat. The Council reached tentative conclusions at that retreat and asked staff to return with the tentative decisions in a single document for review, revision and adoption by the Council. He indicated that the Council has been provided with a revised set of policies and goals that incorporates a minor correction. He indicated that there was a reference in the Medical Services Objectives to the wrong foundation; reference should be to the Morgan Hill Community Health Foundation.

Mayor Kennedy requested that an ethics goal be added to read: By December 2004, adopt an ethics policy for City Council and staff.

Council Member Tate suggested that the ethics policy be listed under governance. He stated that the ethics subcommittee met yesterday and that it is working on a plan that will take a considerable amount of commission and staff time.

Council Member Chang referred to the Medical Services Goal and recommended that the timeline be changed to May 18, 2004. She noted that a timeline of February 18, 2004 is listed but that this goal is not yet completed as the medical service goals have been revised.

Mayor Pro Tempore Sellers referred to the flood control goal, noting that the President's current budget eliminates funding for the PL566 project. He stated that he had an opportunity to meet briefly with representatives from Senator Feinstein's office and they have expressed some interest on this issue in the past. He indicated that he would continue to pursue funding with the state director and others. He recommended that the City pursue all avenues as there are significant opportunities to engage the City's current member of congress. He stated that he was disappointed that the City has not seen more

progress to date. He encouraged his colleagues to do what they can to try and reinstate the funding for the PL566, and that it be recommended that the funding be increased, not eliminated.

Mayor Kennedy stated that he and City Manager Tewes met with Congressman Pombo today, indicating that this was the number one item on the agenda. He stated that he intends to fly back to Washington, D.C. to meet with Congressman Pombo who will arrange a meeting with administrative staff to put pressure on the administration and congress to provide this funding. He said that \$940,000 is the amount that the Corp of Engineers would need to continue with this project.

Mayor Pro Tempore Sellers indicated that he would be happy to help schedule meetings with the Senate as well, working with the Mayor and City Manager. He felt that if the city pushes from every possible angle, the City is more likely to succeed in achieving funding.

City Manager Tewes stated that Congressman Pombo is the chair of the Authorizing Committee, a policy committee that establishes policies in the laws and statutes relating to the establishment of the PL566 project. Subsequently, the appropriation committees recommend a budget with earmark appropriations. He said that appropriators and authorizers talk to each other and that any member of congress may request an earmark or a specific line item appropriation. He stated that chances improve with seniority and importance in the leadership of the congress and whether or not you have another committee that the appropriators are interested in.

Mayor Pro Tempore Sellers stated that the same process takes place on the Senate side. Therefore, if the City can work with both sides, the City may have a better chance of funding.

Council Member Carr referred to page 1 of the draft Council Policies and Goals for 2004, City Budget, the first goal contained in the box. He understood that the Council discussed that the Finance & Audit Committee would review the rate of return of the existing business assistance guidelines. He inquired whether the Finance & Audit Committee was the right committee to review the rate of returns or whether it should be the Economic Development Subcommittee who should be tasked to review the rate of returns as it is more familiar with the business assistance guidelines.

Council Member Chang stated that it was her belief that the Economic Development Subcommittee was given the assignment of reviewing the new revenue source options relating to the goal of planning for the Council to consider new revenue option(s). It was her belief that there were two revenue increase items: 1) economic development; and 2) other new revenue options.

Mayor Pro Tempore Sellers indicated that the plan to consider new revenue options was assigned to the Finance & Audit Committee.

Mayor Kennedy felt that Council Member Carr raised a good point. He stated that both committees are working on certain aspects of this issue.

Mayor Pro Tempore Sellers said that the Economic Development Subcommittee looks at what might be an appropriate expectation of a return on any investment the City might make (e.g., loans, etc.). If you look at it in terms of rate of return as a goal, this would be a Finance & Audit Committee issue. However, in this case, it is a guideline of what one expects to receive from an investment of redevelopment funds. He supported turning the responsibility of this goal to the Economic Development Subcommittee. However, the second goal to consider new revenue options belongs with the Finance & Audit Committee.

Council Member Chang felt that the Council adopted two goals for economic development.

Council Member Carr indicated that the Council did not identify a second goal for economic development. He noted that the City Manager has structured the Council's 2004-goals by policy and goals. The Council confirmed, at the goal setting retreat, that the emphasis on economic development is now geared toward the rate of return to the City's general fund instead of having other items as priorities. He clarified that it is not a goal to achieve but that the Council was setting a new priority.

Mayor Kennedy indicated that the goal listed at the top of page 2, Economic Development, is a general goal and does not involve the Finance & Audit Committee or the Economic Development Committee.

Council Member Chang recommended that the Council include an action plan on economic development besides looking at the guidelines and return on investments.

Mayor Kennedy stated his agreement with Mayor Pro Tempore Sellers' suggestion that the first goal should be for the Economic Development Subcommittee rather than the Finance & Audit Committee as it is a rate of return issue on economic development investments.

City Manager Tewes indicated that the goal came from the context of a discussion about how the City would use general fund reserves. He stated that the Council earlier indicated that the City would be able to use some reserves to help balance the budget. However, there was a level of reserves that the Council indicated it would make available for certain kinds of economic development provided it had an appropriate rate of return. He noted that the City already has a rate of return guidelines for how it uses redevelopment agency assistance. What is new is the potential to use general fund reserves for economic development projects. He said that this was the Council's thinking at the time but that the Council may wish to change this. He indicated that the Council's discussion was about the source of investment; a new policy.

Council Member Chang suggested that more importance be given to the Economic Development Subcommittee. She recommended that a goal be added that would stipulate that the Economic Development Subcommittee is to develop an action plan for additional economic development possibilities. She noted that the Council is hoping to achieve an increase of revenue by \$800,000. She felt that the City needs to look at all avenues to achieve this revenue and felt that economic development could be an avenue to accomplish this.

Mayor Kennedy suggested that a sentence be added that reads “Develop an action plan to achieve this objective by the Economic Development Subcommittee.”

Council Member Carr noted that the Council has an existing economic development action plan. He stated that the Economic Development Subcommittee developed a strategy and that it has been discussed at Council workshops and other avenues. It was his understanding that Council Member Chang’s goal is to increase the activity and speed up some of the items the City is working on.

Council Member Chang recommended that the Council relook at the action plan. Should the City continue to pursue the program that is in place, she did not believe that the City would be able to increase revenues.

Council Member Tate stated that in order to implement the economic development policy contained at the top of the second page, you would have to have the kind of action plan that Council Member Chang is addressing.

Mayor Kennedy inquired whether a timeline should be identified for the economic development committee. Based on Council Member Tate’s comment that the committee is working on project management on the overall goals, this goal is to be left open ended.

**Action:**        *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Adopted** the City Council Policies and Goals for 2004, as amended by the City Council.*

## **29.     CITY POSITION ON PROPOSITION 56, 57, AND 58**

Assistant to the City Manager Eulo presented the staff report, indicating that at the last Council meeting, the Legislative Subcommittee did not recommend that the Council take a position on State wide Propositions 55, 56, 57 and 58. Subsequent to that meeting, Mayor Kennedy requested that three propositions (56, 57 and 58) be brought back for full discussion by the Council. He indicated that the Legislative Subcommittee carefully considered the three propositions and had opinions about them but did not feel that they rose to the level of direct impact on City government that the City normally takes position on. He said that the secondary impacts were difficult to ascertain as to whether they would be positive or negative to City government. Therefore, it was hard to recommend support or opposition to the propositions.

Mayor Kennedy lobbied support to propositions 56, 57 and 58. He stated that if Propositions 57 and 58 do not pass; the impacts on cities and counties would be devastating based on cuts that would need to be made. He felt that it was important that the public be made aware about the impacts to the City. He indicated that Steve Wesley and the Governor are actively pushing to get these two propositions passed. He stated that it was his understanding, having heard Greg Larson’s presentation, that the impacts on local government would be draconian and that significant cuts would need to be made. He did not believe that the State has a choice other than to borrow against the future. He felt that it was important

that the public be made aware of the terrible impacts that would occur to the City and that the City has a tremendous amount at stake. He felt that it was imperative that the Council take a strong position and support the three propositions.

Council Member Tate did not know whether the Council should take a position on the propositions. He indicated that he has already voted. He stated that he voted for the propositions because it is a direct impact that would fall upon the City and that it was a defense mechanism. He said that he found it appalling that the State would borrow to pay debt but that he could not get away from what could happen to the City if the propositions fail.

Council Member Chang indicated that the Cities Association requested that the City take a position on the propositions. She advised the Cities Association that the City was not taking a position on the propositions.

Council Member Carr stated that the Cities Association does not get to dictate what the City should do. He stated that he heard the same presentations that Mayor Kennedy heard. He agreed that if proposition 57 does not pass that cuts would be severe. However, he felt that this is a terrible way to legislate because the alternative of what the State will do is worse. He stated that he did not know how he will vote on the propositions. He noted that this is the only choice that the State has given the voters. He pointed out that the funding mechanism to pay off the deficit bonds will take revenue from the City. He noted that the Council just adopted goals that talk about a strategy that places a greater emphasis on the sales tax into the City's general fund. He stated that the passage of proposition 57 would take away some of the sales taxes to pay off the deficit bonds that will be in place for many years. In 7-10 years, the State may have to look at tax increases to help pay for items that should be done today to get the State out of the deficit it is currently in. He stated that he sees both sides of the proposition but that he was disappointed that the voters have terrible options. This is why he was not comfortable asking the City to take a public position on the proposition when he was not sure how he will vote on the position(s).

City Manager Tewes indicated that as drafted, the proposition is proposed to be revenue neutral. The State would take away  $\frac{1}{4}$  of one cent in sales tax and replace it with an equivalent amount of property tax revenue. However, there is a question on how each of these sources will grow in the future.

Mayor Pro Tempore Sellers said that there was disagreement within the legislative committee about whether proposition 57 was positive or negative. He has strong feelings about proposition 56 in terms of whether there are dire impacts to the City. The legislative subcommittee kept coming back to whether the propositions directly impacted the City. He said that proposition 57 could be argued both ways; that it can be a positive or negative impact. Proposition 58 is a companion bill and could be argued both ways as well. The two issues faced by the legislative committee was the ambiguity in terms of not being sure as to the positive and negative impacts. He agreed with Mayor Kennedy that proposition 57 is horrible unless you consider the options. If the Council, as a whole, wants to state that a majority wants to weigh in a stand on the proposition, he would not be averse to taking that action.

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**Action:**        *Mayor Kennedy made a motion, seconded by Council Member Chang, to **endorse** propositions 57 and 58, taking a position in support of these two propositions.*

Mayor Kennedy felt that it was important to send a message to the public that propositions 57 and 58 are important to cities. He stated that he understood the downsides to the propositions, but that they are the lesser of evils. He felt that the City needs to support these propositions.

**Vote:**            *The motion carried 4-1 with Council Member Carr voting no.*

Council Member Carr said that he does not know how he will vote on these propositions. Therefore, he could not commit the City to the propositions publicly.

Mayor Pro Tempore Sellers indicated that he knows how he will be voting on the propositions.

**Action:**        *Mayor Kennedy made a motion to support Proposition 56. The motion died for the lack of a second.*

Mayor Kennedy opened item 29 to public comment.

Shawna Boykin, government relations director, representing the South County Division of the Santa Clara Association of Realtors, informed the Council that she would be attending future Council meetings. She will be inviting the Council, on an individual basis, to attend the local government relations committee meeting and speak to this committee. She informed the Council that the California Association of Realtors and the local Realtors Association have voted in favor of supporting propositions 57 and 58. She indicated that the Realtors Association looked at the propositions and found that if they do not support the propositions, real estate will be hit hard, noting that an affordable housing issue currently exists. She said that realtors are concerned about having more burden being placed on homeowners as far as taxes are concerned. She also informed the Council that the Board has voted to support the initiative to help put funds back into local cities that the League of California Cities is proposing be placed on the November 2004 ballot.

**30.     REQUEST TO CONSIDER THE REDEVELOPMENT AGENCY FEBRUARY 25, 2004 MEETING**

Mayor Kennedy indicated that he will be out of country next week and that if there are no pressing issues, he requested that the February 25, 2004 meeting be cancelled.

Council Member Tate did not believe that it would be a fair trade off for the Council to cancel the February 28 meeting only to have a heavy agenda on March 3.

Council Member Chang stated her support of canceling the February 25 meeting.



City Manager Tewes informed the Council that the February 25 meeting would have a series of routine items, mainly consent calendar items. This would result in adding these consent items to the March 3 consent calendar.

Council Member Tate stated that if all that is being added to the March 3 meeting is consent items, he would not object to canceling the February 25 meeting.

Council Member Carr indicated that there are certain times during the year (e.g., beginning of the year and the summer) where the Council cancels a couple of meetings to accommodate personal business. He felt that the Council needs to do a better job of sticking to the meeting schedule. He indicated that he is available to meet on February 25, if a meeting is to be held.

**Action:**        *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Chang, the City Council unanimously (5-0) **Cancelled** the February 25, 2004 Redevelopment Agency Meeting.*

#### **FUTURE COUNCIL-INITIATED AGENDA ITEMS**

Discussion of the Economic Development Subcommittee rotation schedule (Council Member Tate for the March 3, 2004 meeting)

#### **RECONVENE TO CLOSED SESSION**

Mayor/Chairman/President Kennedy adjourned the meeting to Closed Session at 10:25 p.m. to discuss “public employee performance evaluation.”

#### **RECONVENE**

Mayor/Chairman/President Kennedy reconvened the meeting at 10:47 p.m.

#### **CLOSED SESSION ANNOUNCEMENT**

Mayor/Chairman Kennedy announced that no reportable action was taken in closed session.

#### **ADJOURNMENT**

There being no further business, Mayor/Chairman/President Kennedy adjourned the meeting at 10:48 p.m.

#### **MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK, AGENCY/COMMISSION SECRETARY**